

DRAFT
Drinking Water
State Revolving Fund
Intended Use Plan and
Project Priority List

Economic Recovery and Reinvestment Act of 2009

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**MONTANA
DRINKING WATER STATE REVOLVING FUND
DRAFT INTENDED USE PLAN
FOR THE
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009**

I. INTRODUCTION

The State of Montana proposes to adopt the following Intended Use Plan (IUP) as required under Section 1452 of the Safe Drinking Water Act.

The primary purpose of this IUP is to identify the proposed use of the federal funds available to the Montana Drinking Water State Revolving Fund (DWSRF) under the Economic Recovery and Reinvestment Act of 2009 (the Act). Federal dollars appropriated under the Act will be available until the funded projects are completed. However, if projects identified for funding are not under construction or construction contract by February 16, 2010, those funds will be deobligated from the DWSRF Program as well as from the project. The federal capitalization funds available under the Act do not require the State of Montana to provide matching funds. Due to the very short timeline required under the Act, this draft IUP and Project Priority List (PPL) were put together with the best information available at the time. The draft IUP will be reviewed by the public and the final version will reflect the results of this review. It is fully expected that new, qualifying projects will be added to the initial project list during the public comment period. It should be noted that DWSRF program staff will be very conservative in selecting projects to add to the list during the public review period in order to assure that each project will definitely be under construction by February 16, 2010 so that no funds are forfeited.

The IUP includes the following:

- I. Introduction
- II. Goals and Objectives
- III. Activities to be Supported
- IV. Uses of the Revolving Fund
- V. Criteria and Method for Distribution of Funds
- VI. Criteria for Disadvantaged Communities
- VII. Anticipated Project Funding List
- VIII. Order of Funding
- IX. Set-asides
- X. Public Comment, Amending IUP, State Commitment of Funds

II. GOALS AND OBJECTIVES

Long-Term Goals

1. To maintain a permanent, self-sustaining state revolving fund program that will serve as a cost-effective, convenient source of financing for drinking water projects to ensure SDWA compliance and sustainable infrastructure in Montana.
2. To provide a financing and technical assistance program to help public water supplies achieve and maintain compliance with federal and state drinking water laws and standards for the protection and enhancement of Montana's public drinking water.

Short-Term Goals and Objectives

The short-term goals of the DWSRF program with respect to the Act are to, as quickly as practicable, create jobs, promote economic recovery and implement energy-efficient or green technologies where appropriate. Consistent with the historic goals of the program, other short-term goals are to continue to preserve and improve the quality of the State's waters (surface and groundwater), to meet the wastewater treatment needs of the state, and to eliminate any public

health hazards related to the discharge of inadequately treated wastewater. As an estimated measure of the environmental benefits attained through funding of drinking water projects, the DWSRF program will to complete a project information database (EPA's Drinking Water SRF Project Management System) for each project funded under the Act. Additional reporting elements, as required under the Act will be submitted in the above-mentioned database.

Objectives:

1. Provide approximately nineteen new loans under the Act for eligible municipal drinking water construction projects or other green technology projects.
2. Consistent with the requirements of the Act, provide financial assistance in the form of low interest loans with approximately 54% of the principal to be forgiven on each loan.
3. Consistent with the intent of the Act, promote expeditious use of the funds made available under the Act by prioritizing those projects that will clearly initiate construction by June 17, 2009. Other qualifying projects that are clearly ready to proceed to construction by February 2010, as determined by DWSRF staff, will also be considered as eligible projects.
4. Promote the implementation of energy and water conservation and green technology by funding at least \$4 million (20%) of projects or project elements that meet the intent of this requirement of the Act.
5. Ensure the technical integrity of DWSRF projects through the review of planning, design plans and specifications, construction activities and development of a sound operation and maintenance program;
6. Ensure compliance with all pertinent federal, state and local water pollution control laws and regulations;
7. Simplify the administrative and regulatory requirements of the program, without sacrificing project quality, to make the financial assistance readily accessible; coordinate on a regular basis with DNRC and financial consultants to consider ways to improve the program and optimize use of resources;
8. Provide compliance assistance to communities and utilize the set-aside funding for the Public Water Supply Program (PWSP) staff to perform sanitary surveys; facilitate SDWA compliance of the Long Term 2 Enhanced Surface Water Treatment, Stage 2 Disinfectant/Disinfection By-Products, Groundwater, and Arsenic Rules.
9. Apply for all available appropriated federal funds contingent upon federal legislation.

III. INFORMATION ON THE ACTIVITIES TO BE SUPPORTED

Consistent with the Act, the type of assistance to be provided by the DWSRF, under Section 1452 of the SDWA, is low-interest loans with approximately 54% of the principal forgiven. The State plans to utilize an amount equal to four (4) percent of the federal capitalization grant (\$780,000) for administrative expenses. The State also plans to set aside \$600,000 for Public Water Supply (PWS) program activities.

Eligible systems are established under The Safe Drinking Water Act (SDWA) which allows DWSRF assistance to publicly and privately owned community water systems and nonprofit non-community water systems, other than systems owned by Federal agencies. Federal Regulations also set forth certain circumstances under which systems that will become community water systems upon completion of a project may be eligible for assistance. The SDWA requires that loan recipients must demonstrate the technical, financial and managerial capacity (TFM) to comply with the SDWA and not be in significant noncompliance with any requirement of a national primary drinking water standard or variance. The DEQ and DNRC will assess TFM and compliance in

accordance with established procedures after loan applications have been received. Those systems lacking in TFM or compliance may still be eligible for a loan if the loan will address the non-compliance, or the system agrees to undertake feasible and appropriate changes in operations, which may include changes in ownership, management, accounting, rates, maintenance, consolidation, alternative water supply or other procedures as an enforceable term of the loan agreement or pursuant to an enforceable Administrative or Court Order.

Due to recent significant population growth in Montana and the expansion of water and sewer services to accommodate that growth, both the WPCSRF and Drinking Water SRF programs will be modifying and implementing growth policies in FY09 which address the eligibility of certain types of projects to receive SRF funding.

IV. USES OF THE DRINKING WATER STATE REVOLVING FUND

Under the Montana Water Pollution Control State Revolving Fund Act and the ARRA Act, the WPCSRF funds may be used to:

1. Provide low interest loans to provide low interest loans to communities for cost-effective drinking water treatment systems, source developments and improvements, finished water storage, and distribution system improvements. The low interest loans can be made for up to 100 percent of the total project cost, provided the loan amount does not exceed any cap placed on loans by the DWSRF program. For the purpose of the Act, additional subsidization, in the form of principal forgiveness, will be applied to each loan.
2. Consistent with the Act, qualifying projects that incurred debt after October 1, 2009 may be eligible for refinancing with funds made available under the Act. However, these projects would have had to meet other requirements of the Act, including Federal Davis-Bacon Wages and the 'buy American' requirements. Further, refinancing of a project is not considered by EPA or the DWSRF program to meet the intent of the Act and, therefore, will only be funded if there are not enough eligible projects ready to proceed to construction by February 16, 2010.
3. Earn interest on program fund accounts.
4. Pay reasonable administrative costs of the WPCSRF program not to exceed four (4) percent (or the maximum amount allowed under the federal act) of all federal grants awarded to the fund.

In addition to using WPCSRF funds for administration, each loan has a 0.75% administrative surcharge (fee) included in the 1.75% interest rate. These fees are not considered part of the loan principal. The funds generated from this loan surcharge will be used for DWSRF administration costs not covered by the EPA grants after capitalization grants cease and to pay for administration of projects that use recycled funds. These special administrative fees collected through loan repayments can be broken down into two categories. If the fees are repaid from federally-funded loans during the grant period (i.e., from capitalization grants that are still open) the uses of these fee funds will be limited to either SRF program administration or transfers to the principal account, as indicated above. However, fees repaid from loans made from capitalization grants that have been closed or from recycled funds may be used for other purposes as long as those uses are consistent with the federal Safe Drinking Water Act, this Intended Use Plan, the Operating Agreement between DEQ and EPA, or the Trust Indenture and DEQ and DNRC rules and laws governing the DWSRF program.

V. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

Funds available to the DWSRF program under the Act will be distributed using the methods and criteria for eligible activities described in the DWSRF program rules that have been adopted by the DEQ and DNRC. The funds will be distributed in accordance with the procedures developed in the DWSRF sfy09 Intended Use Plan and Project Priority List, with additional consideration given to the requirements and intent of the Act with respect to promoting quick-start activities and green technology. This procedure considers ranking on the Priority List, readiness of the project to proceed, and impacts of the project to the DWSRF. Loan terms and interest rates will be determined in accordance with the Administrative Rules adopted by the DEQ and DNRC consistent with the Act.

The normal DWSRF ranking criteria used in SFY2009 has been modified by adding the Readiness to Proceed category. This is more heavily weighted in order to prioritize those projects ready to proceed to construction. Proposed projects are first placed on the Priority List (Appendix 3) using the normal ranking criteria (Appendix 1). Projects from the Priority List that are expected to start construction before the February 16, 2010 deadline are then evaluated using the Readiness to Proceed criteria. This results in the final project ranking and determination of the Anticipated Project Funding List. Further priority points are given for projects expected to begin construction by June, 2009. The Readiness to Proceed ranking criteria is attached as Appendix 2.

In order to maximize the economic benefit of funds made available under the Act, the DWSRF program will preliminarily impose a per project cap of \$1,395,000. Additionally, on a per-project basis, loan and principal forgiveness will be limited such that the total amount of subsidization (including grants from all sources and SRF principal forgiveness) shall not be more than 75% of the project costs unless the community qualifies for additional affordability consideration. If other qualifying projects are added to the PPL during the public review process, the aforementioned cap may be reduced accordingly. If there are additional qualifying projects submitted during the public review process such that placing a funding cap necessary to provide funding to all projects results in a cap so low as to substantially reduce the economic benefit to the funded projects, DEQ may either establish a minimum loan amount or impose a limit to the number of projects to receive funding.

Consistent with the intent of the Act, to provide funds for projects that are clearly ready to proceed to construction, any project that is waiting on the outcome of other funding sources before proceeding with the project at the time of project ranking is viewed as being not far enough along in the normal planning, design and construction process or sequence to realistically initiate construction within the required time frame. Special considerations, where projects have simple rate increases or special improvement districts to create and that have enough time built into their project schedules to do so, will be evaluated on a case-by-case basis.

The Act requires that 20% of the capitalization grant be used to implement water or energy conservation projects or for green technology projects to the extent that those projects are available to proceed. EPA may withhold 20% of the capitalization amount until June 17, 2009, if there are not these types of projects identified as potential projects to receive this funding. DEQ expects to easily achieve this requirement for drinking water projects. However, on or about June 17, 2009, if there are insufficient green or conservation projects ready to proceed, DEQ may certify that its outreach has not yielded sufficient projects and EPA will release any withheld amount for funding conventional projects ready to proceed to construction. After that certification, if there are additional projects ready to proceed to construction that have not been funded, DEQ will distribute those funds to those projects. If there are not additional projects ready to proceed to construction, DEQ will increase the amount of funds allotted to each project.

If a project sponsor receives additional grant funds from other sources after finalization of the IUP, DEQ may reduce the ARRA funds to that project accordingly unless the original scope of the project is increased equivalent to the amount of the additional grant amount. Funds released from that project will be used to fund another project that is ready to proceed to construction within the time frame established in the Act or increase the amount of assistance to another project or projects.

DEQ will evaluate detailed project schedules for all projects and reserves the right to adjust those submitted schedules in order to provide realistic time lines so that all projects receiving this

funding will clearly begin construction within the required timeframe with some margin of safety. This may create situations in which this schedule adjustment makes projects ineligible to receive ARRA funds due to not meeting construction start deadlines established in the Act.

DEQ's intent is to be conservative in selecting projects that it believes are ready to start construction. The reason for the conservatism is that, in accordance with the Act, if any one project does not have a construction contract executed by February 16, 2010, not only does that project lose its funding, the State of Montana also loses the funding and, therefore, it will not be available for other projects. Additionally, the DWSRF program would not be able to secure any funds that might be available for reallocation with forfeited funds after 12 months (from the date of the signing of the Act).

Also, in an effort to distribute funds to as many eligible projects as possible, DEQ will impose a restriction that allows only one project to be submitted for funding under the Act per community, unless there is an overall shortage of green projects as described above. Then an additional project could be considered for a community if it is substantially for green infrastructure, or for water and energy efficiency. The reason for this allowance is to be consistent with the Act in terms of promoting these types of activities.

In order to further assure that all funds go to projects ready to begin construction as indicated above and in an effort to avoid losing funds and thus precluding the award of deobligated funds from other states, DEQ will evaluate the progress of all projects on or about November 30, 2009. If, at that time, DEQ feels that a project or projects are not proceeding in a timely matter that would result in not issuing a construction contract by February 16, 2010, it may choose to pull the funds from that project or projects and award them to other projects.

VI. CRITERIA FOR ADDITIONAL SUBSIDIES TO DISADVANTAGED COMMUNITIES

A community will be considered for additional subsidization when its combined monthly water and wastewater system rates are greater than or equal to 2.3% of the community's Median Household Income (MHI). If the community has only a drinking water system, the percentage is 1.4% of the community's MHI. These percentages are consistent with affordability requirements of other state funding agencies in Montana. The water and sewer rates used for this calculation include new and existing debt service and required coverage, new and existing operation and maintenance charges, and depreciation and replacement of equipment.

In an effort to provide additional assistance to economically disadvantaged communities, the DWSRF program will offer, in conjunction with approximately 54% of principal forgiveness, a further reduction in interest rate of 1%, resulting in an interest rate of 0.75% on the remainder of the principal that is not forgiven.

VII. ANTICIPATED PROJECT FUNDING LIST

The following list contains those projects that the Drinking Water SRF program anticipates will be funded with the FFY08 and previous capitalization grants, in conjunction with the 20 percent state match. This list represents those projects most likely to start construction, based on the Readiness to Proceed criteria. The project ranking from the comprehensive priority list is shown in parentheses (see discussion of ranking criteria in Appendix 1). It is possible that, if other projects are ready to proceed before those on this list, the actual projects that are ultimately funded may vary from those indicated on this list. This did occur during calendar years 1998 through 2007. It is expected to happen again due to the high variability in project schedules, needs, other funding sources, etc.

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| 1. Town of Columbus (109) | Population: 1931. Project cost: \$500,000. Construct transmission main to connect new well to system. Expected loan terms are 1.75% interest over a 20 year period. |
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2. Dry Prairie Regional (15) Population: 24829. Project cost: \$400,000. Install additional filter at interim water treatment plant. Expected loan terms are 0.75% interest over a 20 year period.
3. Great Falls (49) Population: 56,215. Total project cost: \$2,780,000. ARRA cost: \$1,395,000. Replacement of old, leaking distribution mains. Expected loan terms are 1.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency project.
4. Manhattan (103) Population: 1492. Project cost: \$395,000. Install individual water service meters. Expected loan terms are 0.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency or conservation project.
5. Superior (74) Population: 916. Project cost: \$298,000. Replacement of old, leaking distribution mains. Expected loan terms are 0.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency project.
6. Belgrade (121) Population: 7323. Project cost: \$1,251,000. Replacement of old, leaking distribution mains. Expected loan terms are 0.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency project.
7. Billings (122) Population: 100,148. Total project cost: \$3,500,000. ARRA cost: \$1,395,000. Replacement of old, leaking distribution mains. Expected loan terms are 1.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency project.
8. Miles City (55) Population: 8083. Total project cost: \$2,000,000. ARRA cost: \$1,395,000. Replacement of old, leaking distribution mains. Expected loan terms are 0.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency project.
9. Seeley Lake WD (125) Population: 2000. Total project cost: \$2,721,000. ARRA cost: \$1,395,000. Replacement of old, leaking distribution mains. Expected loan terms are 0.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency project.
10. Black Eagle WD (123) Population: 1000. Project cost: \$225,000. Replacement of old, leaking distribution mains. Expected loan terms are 0.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency project.
11. Helena (18) Population: 27,885. Total project cost: \$6,500,000. ARRA cost: \$1,395,000. Replacement of old, leaking distribution mains. Expected loan terms are 0.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency project.
12. Upper/Lower River Rd (6) Population: 1075. Project cost: \$500,000. Connection to the City of Great Falls to replace private individual wells yielding water quality with potential health risks. Expected loan terms are 0.75% over a 20 year period.
13. Kevin (5) Population: 144. Project cost: \$1,288,000. Replacement of transmission and distribution mains and installation of disinfection

treatment equipment. Expected loan terms are 0.75% interest over a 20 year period.

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| 14. Lewis & Clark – Msla (83) | Population: 110. Project cost: \$660,000. Replacement of old, leaking distribution mains. Expected loan terms are 0.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency project. |
| 15. Saco (72) | Population: 199. Project cost: \$1,400,000. Construct new storage reservoir and transmission main. Expected loan terms are 0.75% over a 20 year period. |
| 16. Stevensville (13) | Population: 1914. Total project cost: \$2,260,000. ARRA cost: \$1,395,000. Replacement of old, leaking distribution mains. Expected loan terms are 0.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency project. |
| 17. Belt (88) | Population: 603. Project cost: \$688,000. Construct new storage reservoir to replace existing, leaking reservoir. Expected loan terms are 0.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency or conservation project. |
| 18. Billings Heights (106) | Population: 11,418. Project cost: \$1,800,000. Replacement of old, leaking distribution mains. Expected loan terms are 1.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency project. |
| 19. Fort Benton (101) | Population: 1470. Project cost: \$750,000. Replacement of old, leaking distribution mains. Expected loan terms are 1.75% interest over a 20 year period. These improvements meet the 'green project' criteria as a water efficiency project. |

VIII. ORDER OF FUNDING

DWSRF funds made available under the Act will be allocated according to the ranking on the PPL. Additional DWSRF funds needed to fully fund these projects, if required, will be addressed in the normal annual IUP and PPL. Currently, there exists an IUP and PPL for state fiscal year 2009, available for viewing at <http://www.deq.mt.gov/wqinfo/srf/iup-ppl.asp>.

As previously stated, the normal DWSRF ranking criteria were modified to reflect the intent of the Act by increasing the weight on the points awarded in the Readiness to Proceed category. Affordability will be considered on project-level basis at the time of the commitment agreement. The drinking water objectives of the current ranking system remain in order to reflect the long term goals and objectives of the program. The state fiscal year 2009 PPL was used as a basis for developing the draft Anticipated Project Funding List due to the level of information available for these projects.

The level of DWSRF funding provided for each project, using funds made available under the Act, will be determined by DEQ and DNRC based on:

1. The amount of grant funds available to the DWSRF under the Act.
2. The number of eligible projects viewed as ready to initiate construction in the short time frame required in the Act.
3. Ability of the municipality to finance the project, with and without loan assistance/subsidization.

4. If the loan closed amount is less than that anticipated during the preparation of the final IUP, DEQ may reallocate the difference to a project (or projects) that is clearly ready to begin construction within the time frames established in the Act.

IX. SET ASIDES

The Drinking Water State Revolving Fund also is charged with funding certain provisions of the federal Safe Drinking Water Act, through the use of “set-aside” accounts. States are given flexibility to set aside specified amounts of the federal drinking water capitalization grant for specific purposes outlined in federal law; also outlined in state law in MCA 75-6-201, et seq. These set-asides each have different purposes and conditions, and some are mandatory. Montana is continuing to fund the following set-asides, each of which is described in more detail in the following sections:

- administration
- public water supply programs

Administration

The DEQ will set aside four percent of the FFY09 ARRA capitalization grant, or \$780,000, for program administration. This will cover continued development of the program and the intended use plan, review of water system facilities plans, review of construction and bid documents, assistance and oversight during planning, design and construction, loan origination work, administering repayments, preparation of bond issuance, and costs associated with the advisory committee and the public comment process. This set-aside also will continue to fund one loan management position at DNRC, four engineering positions at DEQ, and one administrative support position at DEQ. These costs and new personnel were approved by the 1997 Montana Legislature.

Any funds that are set-aside for administration but not actually spent will be “banked;” i.e., they will be placed in an account and used for administration in future years, after federal capitalization grants are no longer available and the program must rely solely on revolving funds. Spending such funds is subject to approval of the Montana Legislature, although federal and bond restrictions will limit use of these funds to purposes related to this program. In recent years, actual program expenses have exceeded the maximum four percent cap grant funds for administration. Additional costs have been paid for with other DWSRF “state special administration” funds.

Public Water Supply Program (PWSP)

The PWSP administrative set-aside is for \$600,000 from the FFY 2009 ARRA capitalization grant. The set-aside will fund salaries, benefits and operating expenses for almost twelve and a half (12.23) environmental science specialists and administration. Those positions are assigned to the Helena, Billings and Kalispell DEQ Offices. These positions provide administration, direct assistance, and training to water suppliers in implementation of the Lead and Copper Rule, the Phase II/V Inorganic Rules, Arsenic Rule, Nitrate/Nitrite Rule, Volatile-Organics Rule, the Semi-Volatile Organics Rule, Total Coliform Rule, Consumer Confidence Report Rule, Surface Water Treatment Rules, Disinfection/Disinfection By-Products Rule, Radionuclides Rule, Groundwater Under the Direct Influence of Surface Water Rule, infrastructure security coordination, and the state’s ground water chlorination rule. In addition, these funds are utilized to assist EPA and regulated systems with early implementation and new rule assistance prior to program adoption and implementation. The positions also provide sanitary surveys and technical assistance, both on-site and remote, for health advisories, boil water notices, and compliance related issues. The set-aside will also fund database development expenses associated with implementation of SDWIS/state database Web Release. The work plan will be similar to the work plan approved for administrative set-asides previously approved by the EPA, and is attached to this IUP as Appendix 4.

X. PUBLIC COMMENT and AMENDING THE INTENDED USE PLAN

Public Review and Comment – One public hearing will be held on Friday, March 20, 2009 in Helena to explain the draft IUP and PPL and to allow public comment. Public notice concerning the PPL

and IUP will be available to the public via mailed notices to cities, towns, sewer districts, counties and engineering consultants.

Amending the IUP – Due to the lack of available funding with respect to demand for the funds, the addition of projects to the final priority list will not be permitted with the following exception. If, upon publication of the final IUP, there are insufficient projects qualifying as green technology or water or energy efficient projects such that EPA withholds grant funds, a project or projects qualifying as 'green' maybe added to the PPL prior to June 17, 2009.

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Appendix 1: Ranking Criteria for Drinking Water SRF Priority List

1. Documented health risks

a. Acute health risks - 120 points max.

Fecal coliform or other pathogens - two or more boil orders in any twelve-month period. Risk must be documented as a reoccurring and unresolved problem that appears to be **beyond the direct control** of the water supplier.

Surface Water Treatment Rule (SWTR) treatment technique violation - source must have been developed as an unfiltered supply, an inadequately filtered supply, Ground Water Under the Influence of Surface Water, and/or without adequate contact time **prior to the development of EPA SWTR** regulations that would have mandated improved treatment.

Chemical contaminants (other than nitrate or nitrite) - risk must be documented as reoccurring and unresolved problem confirmed through quarterly sampling (or as determined by DEQ) that appears to be **beyond the direct control** of the water supplier. Contaminants must be present at levels exceeding Unreasonable Risk to Health (URTH) levels.

Nitrate or nitrite Maximum Contaminant Level (MCL) violations - MCL violation must be confirmed through routine and check sampling as required by DEQ.

Guidance for ranking: For unfiltered surface water, use 70 percent of max. Points in this category unless there have also been documented problems with turbidity, fecal contamination or disease outbreaks. Award an additional 10 percent of max points for each of the following: boil order resulting from a turbidity violation, fecal MCL violation, documented disease outbreak. If disease outbreak has been documented, award maximum points.

For filtered surface water systems, a CT violation without boil orders or fecal MCL violations, etc. , should receive 50 percent of maximum points under this category. Award additional points for the additional violations.

Example: an unfiltered surface water system has had turbidity violations resulting in a boil order, as well as a fecal MCL violation. There have been no documented disease outbreaks. The system would get 70% + 10% + 10% = 90% of max points in this category.

b. Non-acute health risks - 60 points max.

(Non-fecal) coliform bacteria - two or more Total Coliform Rule (TCR) (non-acute) MCL Significant Non-Compliances (SNCs) automatically qualify if the problem is documented as a regularly reoccurring and unresolved problem that is **beyond the direct control** of the water supplier.

Man-made chemical contaminants - problem must be documented as a reoccurring and unresolved problem that is **beyond the direct control** of the water supplier. Contaminants must be present at levels that are above the PQL, and less than the URTH level. Contaminants must be detected at least twice during quarterly monitoring in any twelve month period. MCL violations may or may not occur.

Natural chemical contaminants - problem must be documented as a reoccurring and unresolved problem through quarterly sampling (or as otherwise determined by DEQ) that is

beyond the direct control of the water supplier. Contaminant levels must be confirmed as an MCL violation, but the averaged value of the violation must be less than the URTH level.

Guidance for Ranking: Start with 50 percent of maximum points in this category for lead and copper or other chemical violations and go up or down in 10 percent increments depending on the severity of the problem.

2. Proactive compliance measures - 50 points max.

Improvements in infrastructure, management or operations of a public water system that are proactive measures to remain in compliance with current regulatory requirements, to ensure compliance with future requirements, or to prevent future, potential SDWA violations.

Guidance for ranking: If a system is reacting to an existing documented health violation under category 1a or 1b, it should receive no points under this category. Emphasis should be toward a deliberate proactive approach to potential health problems. A system with points awarded in this category typically will currently be in compliance with most or all SDWA regulations.

3. Potential health risks

a. Microbiological health risks - 25 points max.

Occasional but reoccurring detects of coliform bacteria resulting in one or less TCR (non-acute) MCL violation in any twelve month period.

Reoccurring and unresolved problems with non-coliform growth that are beyond the direct control of the water supplier, and result in inconclusive coliform bacteria analyses.

Water distribution pressures that routinely fall below 35 psi at ground level in the mains, or 20 psi at ground level in customers' plumbing systems. Problems must be the result of circumstances beyond the direct control of the water supplier.

b. Nitrate or nitrite detects - 25 points

Occasional but reoccurring detects of nitrate or nitrite at levels above the MCL that occur once or less in a twelve month period. MCL violations are not confirmed by check sampling.

c. Chemical contaminant health risks - 20 points max.

Occasional but reoccurring detects of man-made chemical contaminants that occur once or less in any twelve month period. Levels must be above the PQL, but below the URTH level. MCL violations do not occur because of the presence of the contaminant is not adequately documented through check-sampling.

Occasional but reoccurring detects of natural chemical contaminants (other than nitrate or nitrite) at levels above the MCL that occur once or less in a twelve month period. MCL violations are not confirmed by check sampling.

Guidance for ranking: No additional points should be given in this category for contaminants already addressed in categories 1 or 2. However, if a project scope includes remedies for different types of violations, it should receive points in each of the applicable categories.

4. Construction of a regional public water supply that would serve two or more existing public water supplies - 30 points.

Regionalization would increase the technical, managerial and/or financial capacity of the overall system, would result in some improvement to public health, or bring a public water system into compliance with the SDWA.

5. Affordability (Only one applicable - maximum 20 points)

Expected average household combined water and sewer user rates, including debt retirement and O&M are:

greater than 3.5% of MHI - 20 pts
between 2.5% and 3.5% (inclusive) of MHI - 15 pts
between 1.0% and 2.5% (inclusive) of MHI - 10 pts
1.0% or less of MHI - 5 pts

Drinking Water SRF Priority List Bypass procedures.

If it is determined by DEQ that a project or projects are not ready to proceed or that the project sponsors have chosen not to use the Drinking Water SRF funds, other projects may be funded in an order different from that indicated on the priority list. If DEQ chooses to bypass higher ranked projects, it should follow the bypass procedure.

The bypass procedure is as follows:

1. DEQ shall notify, in writing, all projects which are ranked higher than the proposed project on the Drinking Water SRF priority list, unless it is known that a higher project will not be using Drinking Water SRF funds.
2. The notified water systems shall have 15 calendar days to respond in writing with any objections they may have to the funding of the lower ranked project.
3. DEQ shall address, within a reasonable time period, any objections received.

Emergency bypass procedures.

If DEQ determines that immediate attention to an unanticipated failure is required to protect public health, a project may be funded with Drinking Water SRF funds whether or not the project is on the Drinking Water SRF priority list. DEQ will not be required to solicit comments from other projects on the priority list regarding the emergency funding.

APPENDIX 2

DRINKING WATER STATE REVOLVING FUND READINESS TO PROCEED RANKING CRITERIA FOR ECONOMIC RECOVERY FUNDING Revised February 26, 2009

READINESS TO PROCEED

May assign points for each category.

All other project funding is in place - (0 or full points only) **100**

Final user rates and charges are in place by ordinance and have been reviewed and approved by the WPCSRF program (via DNRC) (0 or full points only) **60**

Authorization to award a construction contract has been given by the WPCSRF program. **40**

Final plans and specs have been approved or final project approval has been given by the WPCSRF program. **120**
(**60** points for submittal to WPCSRF program of COMPLETE draft P&S, or **40** pts for DEQ [non-SRF] review of draft plans and specs. **90** pts if project elements have been given final approval by WPCSRF program [80 pts for DEQ, non-SRF approval], e.g., **the elements were removed from a DEQ-approved construction project due to affordability and only need to be repackaged and rebid**).

Planning document or complete, conceptual plan (for NPS projects) has been approved by WPCSRF program (this includes completion of environmental review by WPCSRF program). (15 points for WPCSRF completed review of draft planning document) **30**

Alternative ranking criteria for simple projects such as slip-lining, where surveying, environmental review, design, etc are minimal, resulting in projects ready to proceed very quickly. **Assign 100 total pts. However, all other funding must be in place. The project can be assigned additional points for funding in place and rates and charges in place if condition met.**

Additional points for readiness to proceed;

Project likely to start construction by 6/1/09 **50 pts**
Project likely to start construction by 9/1/09 **25 pts**

TOTAL POINTS FOR READINESS TO PROCEED

APPENDIX 3

Numeric PPL Ranking Report

<i>Rank No.</i>	<i>Total Points</i>	<i>Project Name</i>	<i>Description</i>	<i>Amount</i>	<i>Population</i>
1	161.5	Carter-Chouteau Co. W & S District	Water System Improvements	\$0	200
2	136	Hill Co Water District	Water Filtration Plant	\$600,000	3500
3	112	Eastview Acres Homeowners	Connection to Mountain Water	\$100,000	28
4	110	South Chester Water Users	New Water Source	\$0	100
5	99	Kevin, Town of	Water System Improvements	\$145,000	178
6	95	Upper/Lower River Road Water and Sewer	Unknown	\$2,103,036	1075
7	92	Crow Tribe	Phase 4 Water System Improvements	\$18,655,000	1522
8	90	Butte Silverbow Water Dept	Distribution Improvements	\$1,250,000	34000
9	87.5	Piegian Border Station	SWTR Compliance Issues	\$0	25
10	84	Essex	Develop GW to Replace Untreated	\$0	35
11	80	Eureka, Town of	Storage and Distribution Improvements	\$2,000,000	1017
12	80	Gore Hill WD	Arsenic Treatment & Distribution System Improvements	\$509,000	500
13	70	Stevensville, Town of	Water System Improvements	\$7,500,000	1732
14	65.5	Jordan	New Well, Storage Reservoir	\$4,066,000	443
15	65	Dry Prairie Regional Water System	Ref preliminary draft final	\$8,000,000	24829
16	65	Rocky Boys Regional Water System	Regional Water System	\$180,000	45743
17	60	Clyde Park, Town of	New/Additional Sources, Storage	\$750,000	337
18	60	Helena, City of	M RTP Pretreatment Facilities	\$6,500,000	27885
19	60	Lockwood Water Users Assn	Intake Presedimentation	\$1,118,700	5400
20	60	Lockwood Water Users Assn	Filter to Waste	\$93,000	5400
21	60	White Sulphur Springs	Backup Water System	\$75,000	984
22	57.5	Bynum-Teton County Water District	Water System Improvements	\$500,000	45
23	57.5	Neihart, Town of	New Trans. Main	\$0	190
24	57	Lambert Co W & S District	New Treatment Facility, New Well	\$62,600	154
25	56	Blue Cloud W & S, LLP	Arsenic Treatment	\$50,000	50
26	55	Avon School	Replace UV System	\$3,000	60
27	55	Flathead Co W & S District #1 Evergreen	Distribution	\$132,513	4000
28	55	Hobson, Town of	New Water System	\$150,000	230
29	55	Lewistown, City of	Install Meters on Remaining	\$550,000	6500
30	54	Sheavers Creek WD/Woods Bay	Water System Improvements	\$1,350,000	150
31	52.5	Boulder, City of	Copper/Corrosion Control Treatment	\$100,000	1445
32	52.5	Choteau, City of	Source and Distribution Improvements	\$800,000	1781
33	52.5	Fort Smith W & D	New Well, Storage & Distribution System Improvements	\$535,000	350
34	52.5	Lorraine So. WD - Missoula County	Transfer Main - Connect to MWC	\$1,000,000	28
35	50	Big Sky Water and Sewer District	Well, Storage, Transmission, Telemetry	\$5,000,000	4000
36	50	Billings, City of	Treatment Plant, Pump Station	\$50,000,000	92000
37	50	Bozeman, City of	Water System Improvements	\$7,500,000	28500
38	49	Shelby, City of	Well Field and Storage	\$4,500,000	3500
39	47.5	Deer Lodge, City of	Well, Pump, Well House, Telemetry	\$204,500	3375
40	47.5	Oilmont Co Water District	Extend Distribution System	\$0	600
41	47.5	Red Lodge, City of	Treatment Plant Upgrades, Wells	\$500,000	2255
42	47	Elk Meadows Ranchettes	System Upgrades, Storage, Supply	\$300,000	150
43	45	Anaconda - West Valley Consol.	Hearst Lake/Alt. Supply	\$6,500,000	1365

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<i>Rank No.</i>	<i>Total Points</i>	<i>Project Name</i>	<i>Description</i>	<i>Amount</i>	<i>Population</i>
44	45	Custer, Town of	Community Water System	\$1,000,000	180
45	45	Dutton, Town of	New Well	\$0	447
46	45	Emkayan Village WD	Distribution System and Telemetry Control Improvements	\$200,000	150
47	45	Eureka, Town of	Connect Midvale Water & Sewer District	\$532,000	1287
48	45	Forsyth, City of	Treatment Plant Upgrades	\$27,192	2200
49	45	Great Falls, City of	Storage Rehab, Distribution	\$2,181,100	60000
50	45	L & C County - Woodlawn Park	Distribution System Improvements - Connect to City of Helena	\$150,000	150
51	45	Melstone, Town of	New Well, Ro Treatment	\$0	136
52	45	Roundup, City of	Water System Upgrade	\$0	1807
53	45	Tiber Co Water District	Distribution, Telemetry, Controls	\$0	300
54	42.5	Miles City, City of	(2) Treatment Plant, Storage	\$1,950,000	8487
55	42.5	Miles City, City of	(1) Northeast Water Systems	\$2,300,000	8487
56	42	Hungry Horse Water District	Additional Storage and Distribution	\$0	1000
57	40	Glendive, City of	Distribution/Storage Improvements	\$736,052	4802
58	40	Scobey	New Pumps, Controls, CL2	\$140,000	1101
59	40	Sun Prairie Village Co. W & S District	Trans. Main, Storage, and Meters	\$750,000	1483
60	38	Belgrade, City of	Water Supply Well Construction, Replacement	\$8,132,850	5728
61	37.5	Pleasant View Homesites	Storage and Distribution System	\$420,000	82
62	37.5	Sheridan, Town of	Test well, Distribution improvements, non-res. Meters	\$461,400	659
63	37.5	Somers Co Water and Sewer District	New Well, Additional Storage	\$530,000	500
64	35.5	Dillon, City of	Storage reservoir, distribution	\$781,000	4050
65	35	Colstrip	Distribution Improvements	\$2,046,000	2600
66	35	Darby, Town of	Two Well Houses	\$100,000	650
67	35	Laurel, City of	WTP Improvements	\$950,000	6255
68	35	Spring Meadow Homeowners	Increase Capacity, Storage	\$522,000	350
69	32.5	Geyser - Judith Basin County W & S Dist.	Water System Improvements	\$525,000	89
70	32.5	Libby, City of	Distribution Improvements	\$0	200
71	32.5	Ramsay Water and Sewer District	Water System Improvements	\$165,000	100
72	32.5	Saco, Town of	New Storage Reservoir, System Improvements	\$1,000,000	224
73	32.5	Sunny Meadows HOA	Upgrade System	\$0	130
74	32.5	Superior, Town of	Phase I Distribution System Improvements	\$1,217,000	865
75	30	Baker-North County Water & Sewer District	Distribution System Improvements	\$916,000	100
76	30	Bearcreek, Town of	Water System Improvements	\$500,000	200
77	30	Big Timber Water Works	Treatment and Distribution	\$3,147,500	1568
78	30	Cooke City Water and Sewer District	Storage Tank and Distrib. System Improvements	\$1,000,000	300
79	30	Cut Bank, City of	Distribution Improvements	\$229,000	3105
80	30	Gardiner-Park County Water District	Transmission main replacement	\$200,000	700
81	30	Loma Co Sewer and Water District	Settling Pond	\$100,000	495
82	30	Loma Co Sewer and Water District	Treatment Plant Upgrade	\$99,000	495
83	30	Missoula Co. - Lewis & Clark Subd.	Distribution Replacement & Service Meters	\$660,000	110
84	30	Missoula Wye Area Regional System	Distribution Improvements, Consolidation of Systems	\$12,000,000	0

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<i>Rank No.</i>	<i>Total Points</i>	<i>Project Name</i>	<i>Description</i>	<i>Amount</i>	<i>Population</i>
85	30	North Helena Valley W & S District	Consolidation of Existing PWSs	\$0	5000
86	30	Ravalli County	Connection to City of Hamilton	\$100,000	50
87	30	Valier, Town of	Water System Improvements	\$900,000	469
88	27.5	Belt, Town of	New Storage Tank	\$688,000	603
89	27.5	Ekalaka, Town of	Distribution System Improvements	\$226,000	410
90	27.5	Goodan-Keil County Water District	Distribution System Improvements	\$410,000	238
91	27.5	Homestead Acres Water & Sewer District	Water System Improvements	\$475,000	550
92	27.5	Martinsdale WUA (Water and Sewer District)	Water System Improvements	\$100,000	100
93	27.5	Pablo - Lake Co Water and Sewer District	Distribution System Improvements	\$157,000	1814
94	27.5	Polson	Water System Improvements	\$6,500,000	4041
95	27.5	St Ignatius, Town of	Water System Improvements	\$155,000	825
96	27.5	Thompson Falls, City of	Phase I Distribution System Improvements	\$150,000	1321
97	27.5	Troy, City of	Replacement of Water Systems	\$1,500,000	957
98	25	Culbertson, Town of	Refinance Existing Debt	\$207,535	716
99	25	Darby, Town of	Storage Tank, Additional Well	\$0	650
100	25	Ennis, Town of	New Well & Pumphouse	\$200,000	1005
101	25	Fort Benton, City of	Distribution System Improvements	\$750,000	1470
102	25	Jette Meadows W & S District	New Well, Water System Improvements	\$250,000	300
103	25	Manhattan, Town of	Water System Improvements	\$1,802,000	1396
104	25	Nashua, Town of	Distribution System Improvements	\$150,000	296
105	22.5	Bigfork County W & S District	Water System Improvements (Source, Storage, Distribution)	\$3,000,000	1200
106	22.5	Billings Heights W D	Storage and Distribution System Improvements	\$1,038,000	11418
107	22.5	Billings, City of	Zone 3 & 4 Storage Reservoirs	\$12,650,000	92000
108	22.5	Cascade, Town of	New Storage Tank and Distribution Improvements	\$1,200,000	814
109	22.5	Columbus, Town of	New Well	\$320,000	1748
110	22.5	Green Acres County W & SD	Storage, Telemetry & Distribution Improvements	\$200,000	465
111	22.5	Harlem, City of	Treatment Plant Upgrades	\$600,000	848
112	22.5	Harlowton, City of	Water System Improvements	\$130,000	899
113	22.5	Havre, City of	Distribution	\$1,000,000	10200
114	22.5	Lakeside County Water and Sewer District	New Storage Reservoir	\$500,000	500
115	22.5	Panoramic Mountain River Heights	New Well, Trans. Main, SI Meters	\$100,000	77
116	22.5	Plains, Town of	Municipal Well Improvements	\$250,000	1126
117	22.5	RAE Water & Sewer District	Distribution System Improvements	\$150,000	819
118	22.5	Richey, Town of	New Storage Reservoir	\$110,000	189
119	22.5	Seeley Lake	Storage Tank Improvements	\$0	2000
120	22.5	Sheridan, Town of	Refinance Transmission Main Replacement	\$259,000	659
121	20	Belgrade, Town of	Distribution System Improvements	\$1,251,000	7323
122	20	Billings, City of	Distribution system improvements.	\$800,000	89847
123	20	Black Eagle WD	Distribution System Improvements	\$265,000	1000
124	20	Mountain Water Co. - Missoula	Distribution Improvements & Booster Pump Station	\$1,014,000	66000
125	20	Seeley Lake	Distribution	\$50,000	2000

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<i>Rank No.</i>	<i>Total Points</i>	<i>Project Name</i>	<i>Description</i>	<i>Amount</i>	<i>Population</i>
126	17.5	Flathead Co W & S District #8	Additional Well	\$85,000	490
127	15	Broadview, Town of	Water System Improvements	\$175,000	150
128	12.5	Glendive - Dawson Comm. College	Booster Station	\$0	300
129	12.5	Glendive, City of	Treatment Plant Improvements	\$360,000	4729
130	10	Antelope Water and Sewer District	Refinance Existing Debt	\$60,000	58
131	10	Bainville	Refinance Existing Debt	\$326,000	153
132	10	Big Sandy, Town of	Refinance Existing Debt	\$393,922	345
133	10	Brockton, Town of	Refinance Existing Debt	\$0	245
134	10	Four Corners W & SD - Gallatin Co.	Acquisition of Water System	\$12,000,000	0
135	10	Froid, Town of	Refinance Existing Debt	\$221,000	195
136	10	Geyser-Judith Basin Co. W & S District	Refinance Existing Debt	\$0	299
137	10	Glasgow, Town of	Refinance Existing Debt	\$1,374,203	3235
138	10	Hysham, Town of	Refinance Existing Debt	\$200,000	330
139	10	Medicine Lake, Town of	Refinance Existing Debt	\$360,000	269
140	10	Nashua, Town of	Refinance Existing Debt	\$60,000	325
141	10	Outlook Water and Sewer District	Refinance Existing Debt	\$0	123
142	10	Plentywood	Refinance Existing Debt	\$0	2061
143	10	Poplar, City of	Refinance Existing Debt	\$650,000	911
144	10	Ryegate, Town of	Refinance Existing Debt	\$0	268
145	10	Stanford, Town of	Refinance Existing Debt	\$0	454
146	10	Sun Prairie Water and Sewer District	Refinance Existing Debt	\$200,000	1483
147	10	Westby, Town of	Refinance Existing Debt	\$15,592	172
148	7.5	Alberton, Town of	Storage and Distribution System Improvements	\$0	374

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APPENDIX 4

PWS PROGRAM SET-ASIDE WORK PLAN

(TO BE INCLUDED WHEN FINAL)

DRAFT